

- d. Any other income, which is nontaxable under the Internal Revenue Code. However, income, which is not taxable because of an income tax treaty must be reported on a U.S. income tax return even though no income tax is due on the U.S. income tax return.

This lesson deals with taxation of **nonresident** aliens only. If an international student or scholar is a **resident** alien, and your site does not prepare returns for resident aliens, you should direct the student or scholar to a conventional VITA site.

You must first determine the source of each kind of income. That is necessary because **the U.S. does not tax nonresident aliens' foreign-source income**. Table 1 summarizes how to determine the source of each kind of income.

**Table 1: Types and Sources of Income**

<i>Income type</i>	<i>Source is determined by</i>
Dividends	Where payer is incorporated
Interest	Payer's place of residence
Pension payments attributable to:	
Contributions (employer or employee, pretax)	Where the services were performed
Earnings of domestic (U.S.) trusts	The U.S. is the source
Rents	Where property is located
Royalties from natural resources	Where property is located
Royalties from patents, copyrights, etc.	Where property is used
Salaries, wages, and other compensation for personal services	Where services are performed
Sale of inventory that was purchased	Where the inventory is sold (where title passes)
Sale of personal property (except inventory)	Tax home of seller
Sale of real property	Where the property is located
Scholarships and fellowships	Residence of grantor

